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POSITION PAPER: TRADE WITH CHINA

The Progressive Caucus opposes awarding China permanent Most Favored Nation trading status at this time. We believe that it would be a serious setback for the protection and expansion of worker rights, human rights and religious rights. We also believe it will harm the U.S. economy. We favor continuing to review on an annual basis China's trading status, and we believe it is both legal and consistent with U.S. WTO obligations to do so.

The Progressive Caucus believes that trade relations with the U.S. should be conditioned on the protection of worker rights, human rights and religious rights. If Congress gives China permanent MFN status, the U.S. will lose the best leverage we have to influence China to enact those rights and protections. At the current time, the U.S. buys about 40 percent of China's exports, making it a consumer with a lot of potential clout.

So long as the U.S. annually continues to review China's trade status, we have the ability to debate achievement of basic worker and human rights and to condition access to the U.S. market on the achievement of gains in worker and human rights, if necessary. But once China is given permanent MFN, it permanently receives unconditional access to the U.S. market and we lose that leverage. China will be free to attract multinational capital on the promise of super low wages, unsafe workplace conditions and prison labor and permanent access to the U.S. market.

Giving China permanent MFN status would be a serious defeat for the cause of worker rights, because recent history shows that the current Chinese regime is unwilling to reform on its own. That history is marked by Chinese promises to improve worker rights, followed by their reneging on those promises. That is precisely the sequence of the 1992 Memorandum of Understanding between the United States and China on prison labor, when China agreed to take measures to halt the export of products made with forced labor. According to a recent U.S. State Department report, "In all

cases [of forced labor identified by U.S. Customs], the [Chinese] Ministry of Justice refused the request, ignored it, or simply denied the allegations without further elaboration." If Congress gives up its annual review of China's trade status, Congress will be unable to do anything about worker rights there.

China's history of making promises and breaking them extends to many other areas as well. China has violated memorandums of understanding on market access (1992, 1994), and intellectual property rights (1992, 1996), as well as agreements on non-proliferation of weapons and human rights. Recent public comments made by Chinese officials regarding its bilateral trade agreement with the U.S. indicate that China will be unwilling to implement that agreement as well.

As reported in "Guangzhou Ribao" on January 6, 2000 and translated by the BBC, Long Yongtu, China's trade negotiator, said, "On the issue of allowing more ... meat products into China, some people think that China has made a substantial compromise. In fact, no substantial compromise was made on the meat product issue.... [P]eople [in the United States] think that China has opened its door wide for the import of meat. In fact, this is only a theoretical market opportunity. During diplomatic negotiations, it is imperative to use beautiful words."

Furthermore, giving China permanent MFN will be harmful to the U.S. economy, since the record trade deficit with China (and attendant problems such as loss of U.S. jobs, and lower average wages in the U.S.) will worsen. For 1999, the trade deficit is likely to be nearly \$70 billion. Once China is awarded permanent MFN and WTO membership, the trade deficit will worsen. In a September 30, 1999 report, the U.S. International Trade Commission concluded that China's accession to the WTO would cause "an increase in the U.S. trade deficit with China."

Congress has a choice, however. Congress can continue to review China's trade status on an annual basis. According to the Agreement establishing the WTO, the U.S. is only obligated to provide China with unconditional MFN treatment. The WTO is silent on the question of the duration of the MFN grant. We believe therefore that annual grants of MFN are perfectly legal and consistent with U.S. WTO obligations.